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SUBJECT: THE UPA SCORES BETTER THAN AVERAGE AFTER ONE YEAR

IN OFFICE

REF: NEW DELHI 3797

Classified By: Charge Robert O. Blake, Jr. for Reasons 1.4 (B, D)

**¶1.** (C) Summary: The UPA government completed one year in office on May 22. Although the Left parties and the BJP predictably criticized its performance, commentary has been generally positive, reflecting widespread respect for Manmohan Singh's performance. Despite some initial weaknesses (such as antagonizing regional allies and failing to respond to challenges in Nepal and Bangladesh), the UPA registered significant progress on the economy, foreign affairs, its relations with major powers (US, China, Japan, Russia), and the domestic agenda. The UPA has clearly been learning to consult with the disparate parties in its alliance, and demonstrated that it can compromise with the ideologically driven demands of the Communists without making undue sacrifices on the reform agenda. Most observers agree that Manmohan Singh and Congress President Sonia Gandhi have worked well together to provide stability and produce results. With the opposition BJP in complete disarray and incapable of providing an attractive alternative, Congress and its allies face little serious challenge, although the Left continues to act as a drag on the PM's economic reform ambitions. Analysis of the UPA's economic performance was provided in reftel. There was little progress on global issues (trafficking in persons, drug treatment programs, HIV/AIDS) under the previous NDA government, as it was reluctant to face controversial social issues. We have seen a complete turnaround under the UPA. End Summary.

Congress Celebrates, Promises Further Reform

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**¶2.** (U) As the UPA marked one year in office on May 22, the Congress leadership was guardedly optimistic about its performance. PM Singh modestly gave himself and the UPA a 6/10 score, and Party President Sonia Gandhi a perfect (and exaggerated in our view) 10/10. Stressing that Congress had "made the coalition experiment work," Manmohan Singh listed the party's greatest contribution as returning the country to "the politics of moderation, and the economics of equity and development." The "single greatest achievement" was providing "the weaker sections a new sense of belonging and ownership in the destiny of the nation." The PM told the Congress Working Committee on May 16 that the party would "accelerate development" in seven key areas: agriculture and rural development, infrastructure, education, health, urban renewal, water, and the knowledge economy, by addressing both equity and efficiency. Singh noted that Congress would have to undertake "a bold initiative" to pursue serious economic reform, improve public finances, and institute a "code of conduct" to control the excesses of India's politicians.

**¶3.** (U) Mrs. Gandhi was more enthusiastic than the Prime Minister, saying "I don't think we could have done more, considering how a coalition works." She expressed satisfaction with the Congress performance regarding "coalition management," noting that "it is our first experience and we have not done badly." Mrs. Gandhi accepted responsibility for "mistakes" in the 2005 state legislative assembly polls (in Jharkhand and Bihar), and the dissolution of the Goa assembly, admitting that "the list of mistakes is long," and "we could have formed the government in Jharkhand." While noting that there was infighting within her party, she was satisfied that it was "much less than others."

The Left Criticizes

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**¶4.** (U) The Communist parties, which support the UPA government from outside, were naturally unhappy with the UPA, criticizing it for "pursuing the same policies of liberalization and privatization" as the previous NDA government, while not doing enough "to promote multipolarity in international relations." The Left Front (LF) urged the UPA "not to get too close to the US," but to cultivate "close ties with Russia, China, Europe and Japan," and "develop trilateral cooperation between India, China and Russia." To express their unhappiness, the LF parties did not attend the UPA's anniversary celebration on May 22, with leader Jyoti Basu noting that "all they have done is to implement the

decisions taken by the NDA government." The CPI(M) would "keep an independent profile and keep its right to criticize government policies," he stated.

**15.** (U) CPI General Secretary AB Bardhan commented that "there are a few positive achievements, but a lot of failures too." Noting that 70 percent of the population depends upon agriculture for its livelihood, he praised the UPA for paying more attention to India's rural sector, although the budgetary increases were "somewhat reluctant and niggardly." Bardhan criticized the UPA for what he viewed as "excess zeal in raising FDI in the telecoms and the banking sector, failing to commit resources to revive "sick" public sector units, raising the possibility of FDI in retail trade and pursuing disinvestment, and "making a mess" of the public power sector with tariff hikes and privatization.

**16.** (U) The Communists gave the UPA credit for "taking steps" to remove Hindu nationalism from the education system, textbooks and research institutions, abolishing the Prevention of Terrorism Act, adopting a Right to information Act, increasing in social spending, and attempting to pass a Rural Employment Guarantee Bill. They blamed the bill's failure not on the UPA, but on the NDA boycott of Parliament.

#### The BJP Pontificates

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**17.** (U) On May 24, the NDA released a "report card" charging the UPA with "a year of non-performance and misgovernance." The report accused the UPA of "devaluing constitutional institutions such as the Election Commission and the opposition, and "misusing" governors to perpetuate "single family rule" in the country. BJP Party President LK Advani claimed that the UPA's "biggest failure" was in internal security, as it had failed to contain Maoist insurgents or prevent the infiltration of illegal migrants from Bangladesh.

**18.** (U) Attempting to denigrate and undermine the UPA by emphasizing the relationship between PM Singh and Mrs. Gandhi, and Congress and the LF, the BJP insisted that the UPA is inherently flawed and not fit to rule. According to the BJP, Mrs. Gandhi occupies an "extra-constitutional position of power" that has "devalued" the position of the Prime Minister. BJP spokesmen and pro-BJP journalists pointed to what they alleged was a conflict between the mild-mannered Prime Minister and the "crafty and manipulating" Party President. The BJP further alleged that Mrs. Gandhi and her retinue have a soft spot for the Communists and have repeatedly sabotaged the PM's economic agenda.

**19.** (U) The BJP has also criticized Sonia Gandhi as a favorite of the LF, which is bent on sabotaging economic reforms advocated by the Prime Minister. A blatantly pro-BJP summary of the year's performance in a recent issue of "India Today" cites Mrs. Gandhi for placating the Left by intervening to prevent Finance Minister Chidambaram and Planning Commission Deputy Chairman Montek Singh Ahluwalia from privatizing 13 public sector companies. Mrs. Gandhi also earned BJP ire by allegedly calling the Prime Minister to task for his defense of the "communal" Gujarat Chief Minister Narendra Modi after the US revoked his visa.

#### Domestic Politics

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**110.** (C) The BJP ended its first year in the opposition wracked by factionalism and disunity, and has been unable to present a credible challenge to the UPA. The BJP's lack of direction was epitomized by its failure to play a constructive role in Parliament. Repeated disruptions, walkouts and boycotts helped to discredit the party and provided the UPA with an opening to pass legislation at will.

The BJP's failure to present a credible alternative allowed the inexperienced Congress a long interval to learn the intricacies of "coalition management," and to recover from numerous early mistakes. Although Congress still had not established close working relationships with the colorful and disparate regional and caste-based parties that make up the UPA, it was more successful in establishing a modus vivendi with the Communists.

**111.** (C) Polling data indicated that voters were largely content with the status quo and not eager to change governments. The Congress leadership misinterpreted this as a pro-party trend and tried to dislodge its regional allies and "capture" the state governments of Goa, Jharkhand, and Bihar. The party paid a heavy price for its hubris, its attempt to win the Bihar State Assembly Election in February without local satrap Laloo Prasad Yadav, split the UPA ticket into warring elements, plunged the state into uncertainty, and reduced Congress to only 10 seats. Yadav's RJD Party lost control, and the state has been under President's rule

ever since. Congress tried the same strategy in neighboring Jharkhand where it was expected to win an easy victory, and turned near-certain victory into defeat. Having failed at the polls, Congress used a sympathetic government to install Shibu Soren as Chief Minister, only to see his government fall two weeks later. In Goa, Congress failed to manipulate state legislators to enact a constitutional coup and unseat an NDA government, plunging that state into President's rule as well. Only in Haryana was Congress able to dislodge a regional party and come to power with a wide majority.

**¶12.** (C) Congress also had to contend with a newly empowered LF. Without the Communist's outside support, the UPA could not remain in power. In order to provide stability and keep the government in power, Congress and the Left leadership scheduled regular "coordination meetings" to deal with policy differences and maintained informal communication channels. The predictions of UPA critics that the Communists would hold the government hostage, stop economic liberalization, and destabilize the government proved false. Instead, both sides learned to compromise.

#### Foreign Policy

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**¶13.** (SBU) Indian commentators generally gave the UPA government good reviews for strengthening relations with the US and China, and have praised the recent thaw with Pakistan. High-level visits over the past year have been platforms for announcing "strategic partnerships" with China, Mauritius, Japan, the US and Russia, while the MEA boasted that the EU was also seeking a strategic partnership with India. Despite the high profile bonhomie with many counterparts, however, pundits questioned the government's management of relations with India's closest neighbors: including Nepal, Sri Lanka, and Bangladesh.

**¶14.** (C) With growing aspirations for great power status, India is focused most intently on the "major players," the US and China. While the previous NDA government pursued initiatives aimed at resolving outstanding India-China issues, the UPA government helped bring these closer to fruition. During PRC PM Wen Jiabao's April visit to Delhi, both countries moved closer to resolving their long-standing border dispute, increasing trade ties and working cooperatively on international issues. The two countries also agreed to seek a "package settlement" of outstanding border disputes (although the countries have not agreed on any boundaries, a process that could drag on indefinitely), and China recognized Sikkim's accession into the Indian Union. The UPA took the initiative to renew New Delhi's stagnant relationship with Japan, increasing economic ties and cooperation in the UN.

**¶15.** (C) After a shaky start, Foreign Minister Natwar Singh and the UPA have been more than receptive to US efforts to broaden our bilateral relationship, welcoming increased trade and economic ties, US investment, cultural and people-to-people ties, and greater cooperation in military affairs. Supporters of the Prime Minister trumpet breakthroughs in areas such as nuclear nonproliferation and US assistance with India's energy needs as major foreign policy achievements. The Left parties and the left wing of Congress remain wary, however, and many within the UPA are reluctant to get "too close" to the US. Indians of all political hues support a UN security Council Seat for India, and would react angrily if the US was perceived as blocking this aspiration. Opposition to Indian involvement on the ground in Iraq remains widespread.

**¶16.** (C) The UPA has skillfully managed the growing dialogue with Pakistan, and most Indian commentators praised its management of India/Pakistan issues. The Composite Dialog continued on a wide range of outstanding issues, while the PM's launching of the Srinagar-Muzaffarabad bus service, and strong and growing support for a "soft border" between the two countries, set the stage for more trade, tourism, travel, and cultural exchanges across the LOC, testifying to Manmohan Singh's efforts to change the Kashmir paradigm.

**¶17.** (C) Indian observers have faulted the UPA's handling of relations with Nepal and Bangladesh, with many commentators lamenting that the GOI has not forcefully moved to counter Bangladeshi support for Indian separatists. The government has walked a fine line on Nepal seeking to please both its Communist allies (bitterly opposed to the King) and the Indian military (supporting full cooperation with the Royal Nepalese Army to combat the Maoists). Both groups have criticized the UPA's compromise policy that first ended arms supplies to Nepal while pressing for concrete progress towards democratization, only to relent and resume the supply of non-lethal military assistance in the pipeline.

**¶18.** (C) Although the UPA government and Natwar Singh entered office promising to revitalize the NAM and reinforce Third World solidarity, in reality MEA policy did not depart from

that of the previous government. India continues to support NAM and G-20 positions in multilateral fora, but instead of promoting the NAM as a monolithic opponent of Western "colonial" interests, the GOI is using its historic partnerships to garner support for its UNSC bid. As domestic public interest in a Security Council seat grows, commentators have split in their advice to the government on whether or not to demand a veto, but all have recognized and applauded the government's efforts to rally developing world backing.

**¶19.** (SBU) The UPA also added energy to its priority foreign policy areas, aggressively seeking potential suppliers for its growing petroleum needs, using assistance programs like technical training that date back decades, and two newly-announced credit facilities for development aid to win influence in oil-rich nations against the larger amounts of cash that China can promise. Foreign policy watchers welcomed the UPA's new focus, reflected in Sonia Gandhi's November statement that "energy security will be paramount" in India's relations with the world.

#### Global Issues

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**¶20.** (C) The GOI's cooperation on trafficking in persons (TIP) issues underwent a complete turnaround in the past year. Under the NDA, it was impossible for Embassy officials (including the Charge or the USAID Mission Director) to get appointments with GOI officials in the TIP nodal office of the Department of Women and Child Development (DWCD). MEA and DWCD jointly stalled implementation of almost \$1 million in G/TIP-funded anti-trafficking NGO projects originally due to be implemented by UNIFEM, citing dissatisfaction with UNIFEM's lack of liaison with the GOI. Neither MEA nor DWCD responded to letters requesting information, appointments or contributions to the TIP Report. Anti-TIP NGOs complained frequently and strongly that the DWCD would not release funds for anti-trafficking projects. While privately seething at "USG internal interference in GOI affairs" on the TIP issue, the NDA publicly refused to comment on the TIP Report or USG statements regarding India's TIP problem, claiming that they were for USG "internal consumption." A sympathetic Joint Secretary (J/S) from the Social Justice/Empowerment Ministry

SIPDIS confirmed that the NDA was "not inclined" to cooperate with the USG on providing rehabilitation to TIP victims, the Juvenile Justice Act, the Central Adoption Resource Agency and India's drug abuse rehabilitation programs.

**¶21.** (C) We faced similar problems on drug regulation/rehabilitation policy issues. DEA and Customs was able to increase cooperation with the GOI's LE agencies only because they kept a low profile vis-a-vis the GOI bureaucracy. The NDA government put a hold on publishing the results of what is likely the world's largest drug abuse study, although the Ministry of Social Justice/Empowerment and UNODC had analyzed the data and approved its release. According to the UNODC, the GOI shied away from the study's publication for fear that the opposition would compel it to commit funds and implement programs to combat drug abuse, once they realized the extent of India's huge drug abuse problem. Several Indian contacts opined that "a massive survey that shows such high levels of drug abuse does not enhance the image of an 'India shining,'" (an NDA 2004 election campaign slogan) The NDA government's refusal to release the results publicly and to discuss drug regulation policies set the dialogue back by almost two years.

**¶22.** (C) Less than two weeks after taking office in May 2004, the UPA Human Resource Development Minister Arjun Singh (whose ministry oversees DWCD) and Social Justice/Empowerment Minister Meira Kumar assured the Ambassador and INL Office Director of their cooperation. The new MEA J/S was equally cooperative on TIP issues, serving as a liaison with the MHA to move forward our mutual TIP agenda. During the past year, Mission officers have had sustained, high-level contact virtually weekly with the GOI on TIP, pharmaceutical drug regulation, HIV/AIDS, and drug abuse. This new openness was reflected in GOI approval of a month-long sex crimes investigation course for MHA officials, MHA agreement to negotiate a comprehensive anti-TIP training project with the USG and UNODC, and the GOI's active participation in and response to requests for TIP Report input. The UPA was proactive in initiating efforts to prevent TIP and to bring together the various offices to implement an effective anti-TIP policy. These were the fruits of a new openness, a willingness to acknowledge India's TIP problem, and a desire to take concrete actions to combat TIP. Equally, the GOI has re-invigorated its drug abuse/rehabilitation policies, resulting in USG cooperation with the Ministries of Health, Finance and Home Affairs on pharmaceutical drug regulation issues and increased GOI focus on the link between pharmaceutical drug regulation policies, injecting drug use and India's HIV/AIDS epidemic.

Comment

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123. (C) Criticism from the BJP and the Left of the UPA's performance during its first year in office has largely fallen on deaf ears. TV Commentator and Columnist Harish Gupta reflected the views of most political insiders when he told Poloff on May 18 that BJP criticism was "baseless" and "did not reflect reality." UPA credibility depends on popular perception of the PM and Mrs. Gandhi and their close personal relationship. Repeated BJP claims of "two power centers," and a Gandhi family that "dictates" to the Prime Minister have fallen flat. Most of our contacts agree that the BJP poses no threat to continued UPA rule and that Congress will remain in power for a full five-year term. Unable to devise a clear alternative, the BJP has little or no chance of returning to power, and is reduced to hoping that the UPA will somehow break apart or the LF withdraw support. Such a scenario is increasingly unlikely as Congress gets used to heading a disparate and contentious coalition and compromising with the ideological demands of the LF.

124. (C) Like any new government that has been out of power for some time, the UPA made some mistakes during its first year. Congress initially was inept in managing its coalition, failing to recognize the power of regional leaders such as Bihar's maverick Laloo and attempting to manipulate government institutions to "capture" states. It also made mistakes in dealing with the crisis in Nepal or the downturn in ties with Dhaka that reflect the absence of a powerful personality like Brajesh Mishra to coordinate foreign policy from the Prime Minister's office. Overall, however, the UPA has credibly handled the most important issues it faced, including the economy, relationships with Pakistan and the major countries that matter (including the US), and working with the Left parties.

125. (C) Credit for the UPA's positive performance goes to the Prime Minister and Mrs. Gandhi. They have devised a workable division of labor in which the PM pursues his economic and foreign relations agendas, while leaving the rough and tumble of domestic politics to Mrs. Gandhi. Despite lingering accusations that he is a "weak" Prime Minister, Singh emerged from his first year as head of government with his reputation enhanced. With success under his belt, and unscathed by failure or major scandals, he has delivered a solid performance, and has the wind at his back as he prepares for a July visit to Washington.

BLAKE